



Amy G. Rabinowitz  
*Counsel*

April 8, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

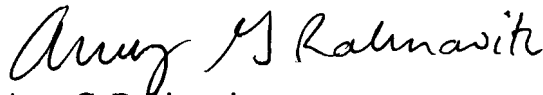
**Re: D.T.E. 03-121**

Dear Secretary Cottrell

I am enclosing the responses of Massachusetts Electric Company to the Department of Telecommunications and Energy's First Set of Information Requests.

Thank you very much for your time and attention to this matter.

Very truly yours,

  
Amy G. Rabinowitz

cc: Service List

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NStar Electric  
Docket No. DTE 03-121

Response to Department's First Set of Information Requests  
to Massachusetts Electric Company and Nantucket Electric Company

Information Request DTE-MECO-1-1

Request:

Refer to the Direct Testimony of Carlos A. Gavilondo at 11, lines 16-21. Please explain how such a "different level of standby service with a correspondingly lower charge" could be incorporated into the standby rate tariffs proposed by NSTAR Electric.

Response:

Mass. Electric has not developed a back-up rate to date, either firm or non-firm, and therefore does not advocate a particular design for a rate providing a different level of standby service. However, Mass. Electric supports the concept of offering different levels of standby service for customers that do not want to pay for firm, instantaneous standby service. One possible way to incorporate the concept of a lower service level is to have a separate standby service tariff for non-firm standby service, rather than trying to incorporate non-firm standby service and its provisions into the proposed firm standby service tariff submitted by NSTAR. Such a tariff would reflect lower rates than those in the firm standby service tariff, but also contain provisions that would restrict the customer's use of the distribution system to a level below that provided by firm, instantaneous standby service. For example, access to the distribution system could be limited to the time of day, the season, the quantity of capacity at the customer's disposal, as well as the customer's willingness to accept load limiting devices that assure it could not take back-up service (i.e., does not exceed agreed-to load levels). Other than the physical devices that may be installed to prevent such a customer from accessing the distribution system during times not supported by the rate, the tariff could have financial penalty provisions for such unauthorized use of the system as an incentive to comply with the terms of non-firm standby service.

Prepared by or under the supervision of: Carlos A. Gavilondo

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Response to Department's First Set of Information Requests  
to Massachusetts Electric Company and Nantucket Electric Company

Information Request DTE-MECO-1-2

Request:

In reference to the testimony of Carlos A. Gavilondo at 14, lines 14-18, please provide a copy of all studies and publications used as the basis for the statement that: “. . . the power crisis in California in 2002 . . . was exacerbated by large amounts of distributed generation shutting down due to a dramatic increase in the price of natural gas in that state. Similarly, the recent cold snap in New England January 14-16, 2004, saw many generators making economic decisions to shut down their units at a time when the system demand for electricity was high.”

Response:

The testimony was in error and should have referred to the power crisis in California in 2001, not 2002. There are many references in the popular press to the circumstances in California where the shutdown of non-utility generation for economic reasons exacerbated the crisis. For example, the *Sacramento Bee* on April 1, 2001 reported the following:

“QFs that run on natural gas are particularly upset with the PUC's decision. The commission tied their compensation to the price of natural gas at the Oregon border -- a price that many say is far below the true market price, especially in Southern California. UAE Energy Operations Corp., which runs a gas-fired generator near Bakersfield, has been closed for weeks and isn't likely to reopen, said UAE President Ed Tomeo. Under the new rates, "we wouldn't be able to recover the cost of the gas," Tomeo said.”

Reference: <http://www.sacbee.com/static/archive/news/special/power/040101war.html>

Another periodical, the *Union-Tribune* of San Diego on April 14, 2001, printed the following:

“Unlike conventional power generators, which can set their own prices under deregulation, cogeneration plants and other alternative power providers, such as wind and solar plants, sell power under a price formula set by the California Public Utilities Commission. The PUC changed the formula April 1, and since then cogenerators across the state have complained they can't recoup their costs under the new pricing system.”

Reference: [http://www.signonsandiego.com/news/reports/power/archives/20010414-9999\\_2m14cogen.html](http://www.signonsandiego.com/news/reports/power/archives/20010414-9999_2m14cogen.html)

With respect to the January 2004 events in New England, the following excerpt is from the *Providence Business Journal's* February 24, 2004 edition:

The operator of New England's power grid is studying ways to reduce its reliance on natural gas-fired generators after some shut down and left the region short during a cold snap Jan. 14 to 16, said the group's president, Gordon van Welie. The grid operator, ISO-New England, warned on Jan. 15 that rolling blackouts were possible as Boston's

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temperatures dropped to a 23-year low. The group said 4,000 megawatts, or 12 percent of the region's supply, was unavailable because the plant operators didn't have gas. The Connecticut attorney general, gas industry officials and a Vermont regulator said some of those plants were shut so operators could sell their gas for record prices. ISO-New England said that power plants were allowed under the region's rules to sell their gas, a practice van Welie referred to as "economic shutdowns."

Reference: <http://www.pbn.com/contentmgr/showdetails.php?id=19059&se=a>

The *Boston Herald* also reported on the issue:

" . . . [Boston-based electric industry consultant Richard] Levitan also said some gas-fired generator operators may have shut down their plants so they could sell the gas they controlled rather than burn it, because the gas was worth more money than the power it could produce."

*Boston Herald*, Jan. 17, 2004, Finance, p. 22.

"Some energy analysts blamed shuttered gas-fired generators and told the Herald last week that some power generators turned off their gas-fired plants to sell the gas, as they could make more profits from it that way. . . . Neal Costello, a spokesman for a local electric industry trade group, said the power generators were free to sell the gas."

*Boston Herald*, Jan. 24, 2004, Finance, p. 21.

Prepared by or under the supervision of: Carlos A. Gavilondo and Timothy R. Roughan

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Response to Department's First Set of Information Requests  
to Massachusetts Electric Company and Nantucket Electric Company

Information Request DTE-MECO-1-3

Request:

In reference to the testimony of Carlos A. Gavilondo at 14, lines 18-20, stating that: "For distributed generation to provide real and reliable benefits on the distribution system, the operation of such generation must be subject to the control of the utility", please:

- (a) elaborate on the "real and reliable" benefits referred to; and
- (b) describe in detail all the requisite arrangements needed for the control of such generation by the utility.

Response:

- a) The type of benefits referred to are those that enable the distribution company to rely on the availability and performance of distributed generation for planning purposes. These would include permanent or seasonally-available load relief during all peak hours that could enable the utility to defer constructing new infrastructure. The value of these benefits would depend primarily on location of the distributed generation, the amount of costs being deferred and the length of the deferral.
- b) Mass. Electric has not developed any particular method for controlling customer-owned generation; however, there are a number of ways this sort of control might be implemented. For example, if the on-site generation unit tripped off-line, the load it was serving at the customer's facility also could be wired to trip off-line, thereby eliminating the need for back-up service from the utility. Another form of control could be to install a recloser device to prevent the customer's total facility load, if it exceeds a certain level, from coming onto the utility system in the event of the trip of the on-site generator. Other utilities have established distributed generation tariff provisions that include some means of control over the customer's on-site generation. *See, e.g., Baltimore Gas & Electric Co., Standby Services, Schedule S, Option 2B—Standby for Interruptible Delivery Service (<http://www.bge.com/CDA/Files/rSCHS.doc>):*

*At the Customer's expense, load monitoring and control equipment will be owned, installed, operated and maintained by the Company. This load limiting equipment will be designed to ensure that the maximum load to be delivered over the Company's distribution facilities to the Customer cannot exceed the Delivery Service Requirement. In the event that the Customer's actual requirements exceed the Delivery Service Requirement, the load limiting equipment will operate in such a manner as to completely sever all service to the Customer's facility. Service will be restored after the Customer's load falls below the Delivery Service Requirement and the load limiting equipment is reset.*

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Response to Department's First Set of Information Requests  
to Massachusetts Electric Company and Nantucket Electric Company

Information Request DTE-MECO-1-4

Request:

In reference to the testimony of Carlos A. Gavilondo at 15, lines 4-5, please provide a copy of any study, including network diagrams, that support the assertion that: "Today, there is no diversity of generation on a feeder-by-feeder basis because there is not enough customer-owned generation installed to date."

Response:

Attached please find a summary listing, by town, of non-emergency, customer-owned generation on Mass. Electric's distribution system. The summary lists the total nameplate ratings (approximately 120 MW), as well as the Company's estimated normal output (approximately 84 MW). As indicated in the attachment, the generation is located in over 20 different towns, ranging from Williamstown to Salem. None of the customers whose generation is reflected in the attachment share the same feeder for standby or supplementary service, therefore there is no diversity at the feeder level for these customers.

Prepared by or under the supervision of: Carlos A. Gavilondo and Timothy R. Roughan

8-Apr-04

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DTE-MECO-1-4  
Attachment 1  
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Massachusetts Electric Company  
Customer Non-Emergency Generation

Town	Total Nameplate MW	Normal Generating MW
Adams	6.1	2.6
Andover	10.9	9.8
Athol	0.4	0.0
Erving	2.5	0.5
Hardwick	0.9	0.5
Haverhill	5.7	4.1
Lawrence	10.5	10.0
Lowell	0.1	0.1
Lynn	40.5	25.5
Medford	0.3	0.3
Monson	0.2	0.1
North Adams	0.6	0.6
Northbridge	1.2	0.6
Palmer	1.0	0.0
Pepperell	1.6	0.0
Revere	5.9	5.0
Salem	0.1	0.1
Southbridge	8.0	5.0
Tewksbury	2.0	2.0
Williamstown	3.0	3.0
Worcester	18.2	12.9
Total	119.5	82.5

NStar Electric  
Docket No. DTE 03-121

Response to Department's First Set of Information Requests  
to Massachusetts Electric Company and Nantucket Electric Company

Information Request DTE-MECO-1-5

Request:

In reference to the testimony of Carlos A. Gavilondo at 13-14, please list and explain all the reasons why MECo has not initiated the process of consulting with the Rate Plan Settlement signatories on the development of a new back-up service rate and why MECo has not proposed such a rate.

Response:

The 15 MW threshold for newly-installed on-site generation under Mass. Electric's Rate Plan Settlement was reached in late 2003. At that time, the Department already had before it a generic investigation it had opened on distributed generation (DTE 02-38). In addition, NSTAR Electric had filed with the Department on October 31, 2003, to establish its own standby service rates. In the order opening the generic investigation, the Department indicated that "[a]s part of this proceeding, [it would] investigate the appropriate method for the calculation of standby or back-up rates associated with the installation of distributed generation." Order Opening Investigation into Distributed Generation, DTE 02-38, at 4 (June 13, 2002). Given the fact that the Department had already opened a generic proceeding to address, among other things, standby rates for distributed generation, and the fact that the Department might establish some generically applicable standby rate policy in the NSTAR proceeding, Mass. Electric determined that it was more appropriate and administratively efficient to wait before proceeding with its own back-up service rate process.

Prepared by or under the supervision of: Carlos A. Gavilondo and Timothy R. Roughan